



"It was around my year anniversary with the state that I first started contributing to the deferred compensation program. Originally, my contribution amount was based on what I felt was reasonable and wouldn't create a hardship at the time. When I think about how saving for retirement will benefit me in the long term, I like the idea of having more financial freedom, less stress, and less worry when I retire — that's my driving force. I'd rather have money later (in retirement) than right now, and I don't miss the money I put into deferred comp.

My savings advice when it comes to retirement security and planning is to start now — it feels good to watch your money grow! Any amount is a good amount and it's easy to adjust, up or down, as needed. I firmly believe in beginning with the end in mind. Planning today will help tomorrow be easier when money may not be as available."

— Kristi

Vocational Rehabilitation (DESE)

# What's Your PLAN?

2016

Fiscal Year Ended June 30

## Summary Annual Financial Report

It is my pleasure to present MOSERS' *Summary Annual Financial Report* which provides a brief overview of our financial results during fiscal year 2016, and additionally serves to provide useful measurements for the evaluation of our programs.

Upon completion of my first year as executive director of MOSERS, the interaction opportunities with MOSERS' membership, staff and stakeholders on all levels have worked to reinforce the MOSERS' traits I had come to know as a seasoned active member. The work ethic, devotion and expertise of these individuals continue to contribute to the collective MOSERS' dynamic that is truly a testament to this effective organization.



John Watson  
Executive Director

This *Summary Annual Financial Report* highlights "What's Your Plan?" by featuring MOSERS' active and retired members who have crafted a financial plan and utilized the resources available to state employees, such as the deferred compensation program, to set a path for retirement readiness. As attention across the country continues to be drawn to the lack of retirement preparedness for millions of Americans, it is our hope that this report will encourage MOSERS' members and their families to consider and implement their "plan" for retirement.

John Watson  
Executive Director

“At the time I began my employment, state government had a reputation for job security and good benefits. Twenty-five years later, the employee benefit package has proven to be one of the most valuable reasons for staying.

Additionally, I began participating in the deferred compensation plan 20+ years ago. I started saving after attending a deferred compensation seminar and understanding how the plan can work for everyone. When I was younger, I was under the illusion that you had to save millions to retire. Over the years, I learned that you don’t have to be rich, but you do need to plan. Pay yourself first. Whether you deduct monthly from your paycheck or empty your pockets every night into a jar — just start saving something. Then don’t touch it until you retire.”

– *Tiffany*

*Missouri Veterans Commission (DPS)*



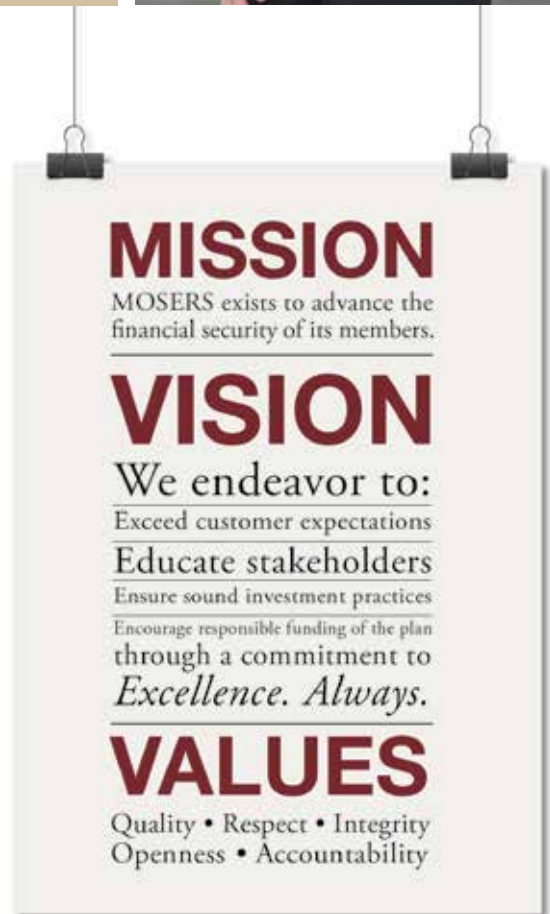
“Social security and your state pension are important components to financial stability in retirement, but don’t forget the last part of the “three-legged stool” strategy — personal savings.

I’ve been a state employee for nearly 30 years. Six months after I began working, I learned of the deferred compensation program. The first month I contributed also marked the stock market’s historic “Black Monday” event. While scary at the time, I’ve had positive growth and compound interest over the years, which has made for a very nice return on my contributions.

That “perfect time” to start saving will not happen on its own. Start by saving small amounts monthly and you’ll be invigorated as you see your money grow over time. That \$20 becomes hundreds, then thousands, and can become tens-of-thousands of dollars saved.”

– *Daniel*

*Fulton State Hospital (DMH)*



This *Summary Annual Financial Report* is derived from the information contained in MOSERS’ *Comprehensive Annual Financial Report* (CAFR) but does not include all funds administered by MOSERS or certain other information required for conformity with Generally Accepted Accounting Principles (GAAP). MOSERS’ financial statements are produced in conformity with GAAP. Contact MOSERS to request a copy of the CAFR, or explore it on our website at [www.mosers.org](http://www.mosers.org). To request an alternative format, please contact MOSERS at (573) 632-6100 or (800) 827-1063. MOSERS is an equal opportunity employer.

October 14, 2016

Dear Members:

On behalf of the board of trustees, I am pleased to present the MOSERS *Summary Annual Financial Report* for the fiscal year ended June 30, 2016. While the focus of this report is on information related to the financial status of your retirement system, it also highlights other changes that occurred during the year.

During FY16, the MOSERS Board of Trustees authorized the performance of an actuarial experience study for the five-year period ending June 30, 2015. This study compares what was assumed to occur with what actually occurred relative to MOSERS during that five-year time period. The board approved results from this endeavor included:

- Reduction of the investment return assumption from 8.0% to 7.65%, with the intentional reduction of 15 basis points annually over the next four years, resulting in an investment return assumption of 7.05%,
- Adoption of an increased time period to recognize plan gains and losses (from three to five years) relative to the actuarial value of assets, and
- Strengthened mortality tables to reflect potential increased lifespan of members.

It is the board's expectation these changes will assist in strengthening MOSERS' financial position and enhance the financial security of our members. The next experience study is scheduled for 2021 covering the five-year period ending June 30, 2020.

I wish to thank the board for their contributions this year as well as the staff for maintaining the high level of expertise and professionalism. I also wish to express my gratitude to you, our members, for your continued public service. Your dedication and commitment to Missouri citizens is greatly appreciated. If you ever have questions, contact MOSERS at P.O. Box 209, Jefferson City, Missouri 65102, call us at (800) 827-1063, or visit our website at [www.mosers.org](http://www.mosers.org).

Sincerely,



Antwaun Smith, Chair  
Board of Trustees



Antwaun Smith  
Board Chairman

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## What's Your Retirement Plan?

Pension and social security payments combined won't replace your entire pre-retirement paycheck, so personal savings accounts, such as a 457(b) plan offered by MO Deferred Comp, are crucial for you to maintain your standard of living after you retire. Not to mention, deferred comp is an important part of your employee benefits package and there are many reasons to start saving with the plan now, such as:

- Provides access to a simplified, low-cost, professionally managed investment lineup.
- Makes it easy to roll-over and consolidate retirement savings plans from previous employers.
- Allows you to withdraw your 457 savings at any age after you leave employment with the state.
- Provides free and fee-only financial planning services to help you address financial concerns and achieve financial goals.
- Helps you accumulate important retirement savings that will supplement your pension benefit in retirement.

Visit [www.modeferredcomp.org](http://www.modeferredcomp.org) for more information on how the deferred comp plan can help you save for your future.

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## Summary Comparative Financial Statements

The following schedules present *Summary Comparative Financial Statements* of the pension trust funds for FY16 and FY15. The *Summary Comparative Statements of Fiduciary Net Position* are summaries of what MOSERS owns and owes as of the end of the fiscal year. The *Summary Comparative Statements of Changes in Fiduciary Net Position* show financial activity occurring during the fiscal year and summarize the flow of money in and out of the fund during the year. The primary uses of MOSERS' assets include the payment of promised benefits to members and their beneficiaries, the refund of contributions to terminated employees, and the cost of administering the system.

### *Pension Trust Funds* | Summary Comparative Statements of Fiduciary Net Position

	As of June 30, 2016	As of June 30, 2015	Amount of Change	Percentage Change
Cash and short-term investments	\$ 2,454,419,406	\$ 2,237,194,552	\$ 217,224,854	9.71%
Receivables	89,911,461	373,465,032	(283,553,571)	(75.93)
Investments	9,349,306,746	10,258,761,342	(909,454,596)	(8.87)
Invested securities lending collateral	14,258,587	19,228,051	(4,969,464)	(25.84)
Net capital assets	3,541,901	3,701,791	(159,890)	(4.32)
Other assets	68,128	26,425	41,703	157.82
<b>Total assets</b>	<b>11,911,506,229</b>	<b>12,892,377,193</b>	<b>(980,870,964)</b>	<b>(7.61)</b>
Administrative expense payables	2,419,569	1,399,712	1,019,857	72.86
Investment purchase payables	36,690,153	1,598,102	35,092,051	2,195.86
Securities lending collateral	14,940,141	19,918,342	(4,978,201)	(24.99)
Other liabilities	10,083,285	14,257,651	(4,174,366)	(29.28)
Obligations under repo agreements	3,601,461,597	4,203,408,628	(601,947,031)	(14.32)
MOSERS investment portfolio liability (MIP)	4,693,919	4,288,583	405,336	9.45
<b>Total liabilities</b>	<b>3,670,288,664</b>	<b>4,244,871,018</b>	<b>(574,582,354)</b>	<b>(13.54)</b>
<b>Net positions restricted for pensions</b>	<b>\$ 8,241,217,565</b>	<b>\$ 8,647,506,175</b>	<b>\$(406,288,610)</b>	<b>(4.70)</b>

### *Pension Trust Funds* | Summary Comparative Statements of Changes in Fiduciary Net Position

	Year Ended June 30, 2016	Year Ended June 30, 2015	Amount of Change	Percentage Change
Contributions	\$ 390,869,615	\$ 386,471,986	\$ 4,397,629	1.14%
Investment income (loss) – investing activities	1,213,744	(241,338,203)	242,551,947	100.50
Investment (loss) income – securities lending activities	(49)	116,204	(116,253)	(100.04)
Miscellaneous income	554,655	541,118	13,537	2.50
<b>Total additions</b>	<b>392,637,965</b>	<b>145,791,105</b>	<b>246,846,860</b>	<b>169.32</b>
Benefits	783,420,118	755,239,947	28,180,171	3.73
Service transfers and refunds	6,880,099	4,271,759	2,608,340	61.06
Administrative expenses	8,626,358	8,200,707	425,651	5.19
<b>Total deductions</b>	<b>798,926,575</b>	<b>767,712,413</b>	<b>31,214,162</b>	<b>4.07</b>
<b>Net (decrease) increase</b>	<b>(406,288,610)</b>	<b>(621,921,308)</b>	<b>215,632,698</b>	<b>34.67</b>
<b>Net positions beginning of year</b>	<b>8,647,506,175</b>	<b>9,269,427,483</b>	<b>(621,921,308)</b>	<b>(6.71)</b>
<b>Net positions restricted for pensions</b>	<b>\$8,241,217,565</b>	<b>\$8,647,506,175</b>	<b>\$(406,288,610)</b>	<b>(4.70)</b>

## Watch and Learn More About Deferred Comp

Head to [www.moderatedcomp.org](http://www.moderatedcomp.org) to browse through the plan's online library of educational and entertaining videos and webinars. These short productions highlight the latest deferred comp news, explain investment concepts, interview real deferred comp savers, and provide a ton of helpful information for new and current employees, as well as retirees.

## Meet Your MO Deferred Comp Education Specialists

To help you make informed savings decisions as you prepare for retirement, education specialists conduct **FREE** seminars and one-on-one consultations throughout the year at numerous locations across the state. With more than 65 years of combined service, their experience, knowledge and dedication to serving you are what help make the deferred compensation plan a valuable employee benefit. Visit the MO Deferred Comp website to see who represents your area and to register for an upcoming seminar.

### Investment Return

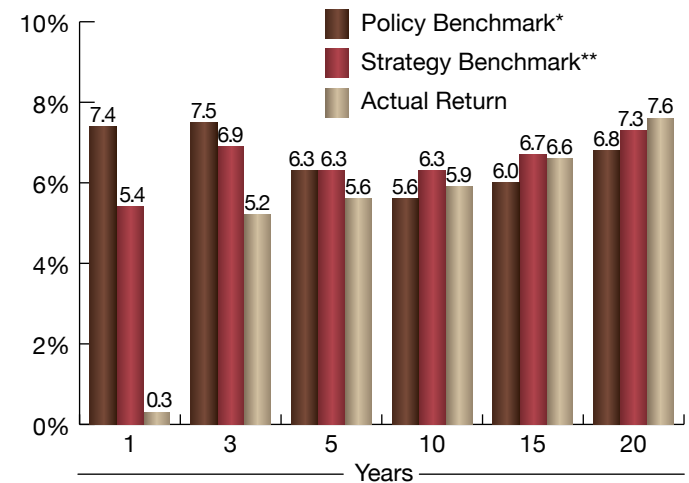
As of June 30, 2016, the MOSERS investment fund had total assets of \$8.2 billion. MOSERS' investments generated a time-weighted return of 0.3%, net of fees, for FY16. The total fund return trailed the 1-year policy benchmark by 7.1%, but over the last 20-year period has outperformed the policy benchmark by 0.8% on an annualized basis.

Comparison of the total return to the policy benchmark is a reflection of the extent to which the asset allocation kept pace with the system's funding objectives. The total fund 1-, 3-, and 5-year actual performance underperformed its policy benchmark by 7.1%, 2.3%, and 0.7% with the actual 10-, 15-, and 20-year returns exceeding the policy benchmarks by 0.3%, 0.6%, and 0.8%, respectively as reflected in the *Total Fund Actual Return vs. Benchmark Returns* chart above.

### Investment Risk

Market volatility is what investors traditionally consider to be the risk of investing. To protect against this risk, the MOSERS investment portfolio is diversified across a myriad of asset classes and investment strategies to mitigate the potential impact of negative economic circumstances. The *Total Fund Allocation* chart below reflects the actual percentage of the total investment portfolio by specific asset class at June 30, 2016. This asset allocation is built on the belief that diversification is critical in achieving consistent, high, long-term, risk-adjusted investment returns.

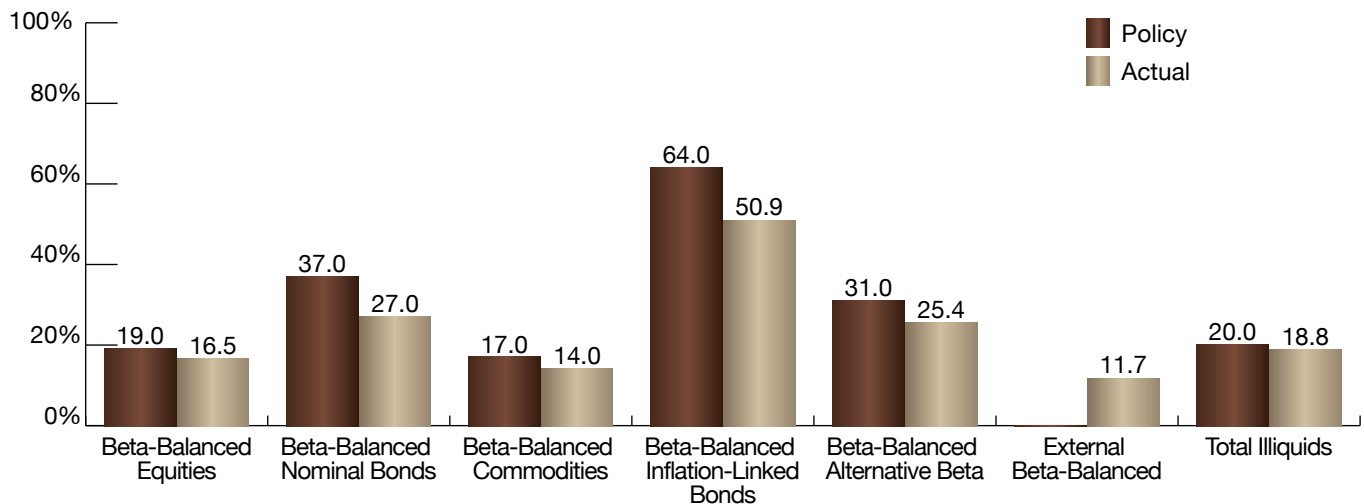
### Total Fund Actual Return vs. Benchmark Return



\* As of June 30, 2016, the policy benchmark was comprised of the following components: 80% total beta-balanced policy benchmark and 20% total illiquids portfolio policy benchmark.

\*\* As of June 30, 2016, the strategy benchmark was comprised of the following components: 81.2% total beta-balanced strategy benchmark and 18.8% total illiquids portfolio policy benchmark.

### Total Fund Allocation | Policy vs. Actual (As a Percentage of the Total Fund)



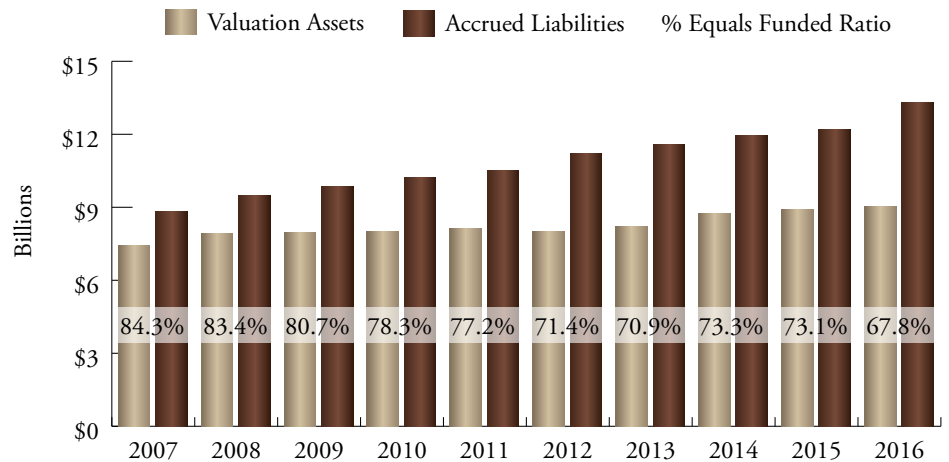
## Retirement Funding

Your retirement benefits are funded by contributions from the state of Missouri and by investment income (and by your contributions, if you are a member of the MSEP 2011 or the Judicial Plan 2011). In order to ensure your benefits are available to you, MOSERS is constantly evaluating the assets (tan bar) relative to the value of the liabilities (brown bar). The percentages shown in the bar chart indicate the extent to which the system was funded as of a given year.

The state must contribute the actuarially determined contribution that, when combined with present assets and future investment returns, will be sufficient to meet the present and future financial obligations of the retirement system.

Through a history of reasonable benefit levels, mandatory participation, actuarially determined employer contributions, and professionally managed investments, MOSERS continues to be financially sound.

## Valuation Assets as a Percent of Pension Liabilities | All Plans Combined



### Check Out Our Newest Retirement Calculator

MO Deferred Comp's website has lots of tools including calculators and publications available to help you reach your savings goals and keep you on track. From figuring out how much to save to withdrawing your money in retirement, deferred comp's tools can help you make informed financial decisions. The plan's newest tool, the *Grow Your Retirement Savings* calculator, uses numerical and visual illustrations to show how making regular contributions over a long period of time can have a big impact on your total retirement savings. It also allows savers to figure in yearly auto-increase adjustments and see how it affects their bottom dollar. To use this calculator and other free resources, visit the **Planning & Tools** page on [www.moderredcomp.org](http://www.moderredcomp.org).

## Summary of Member Data

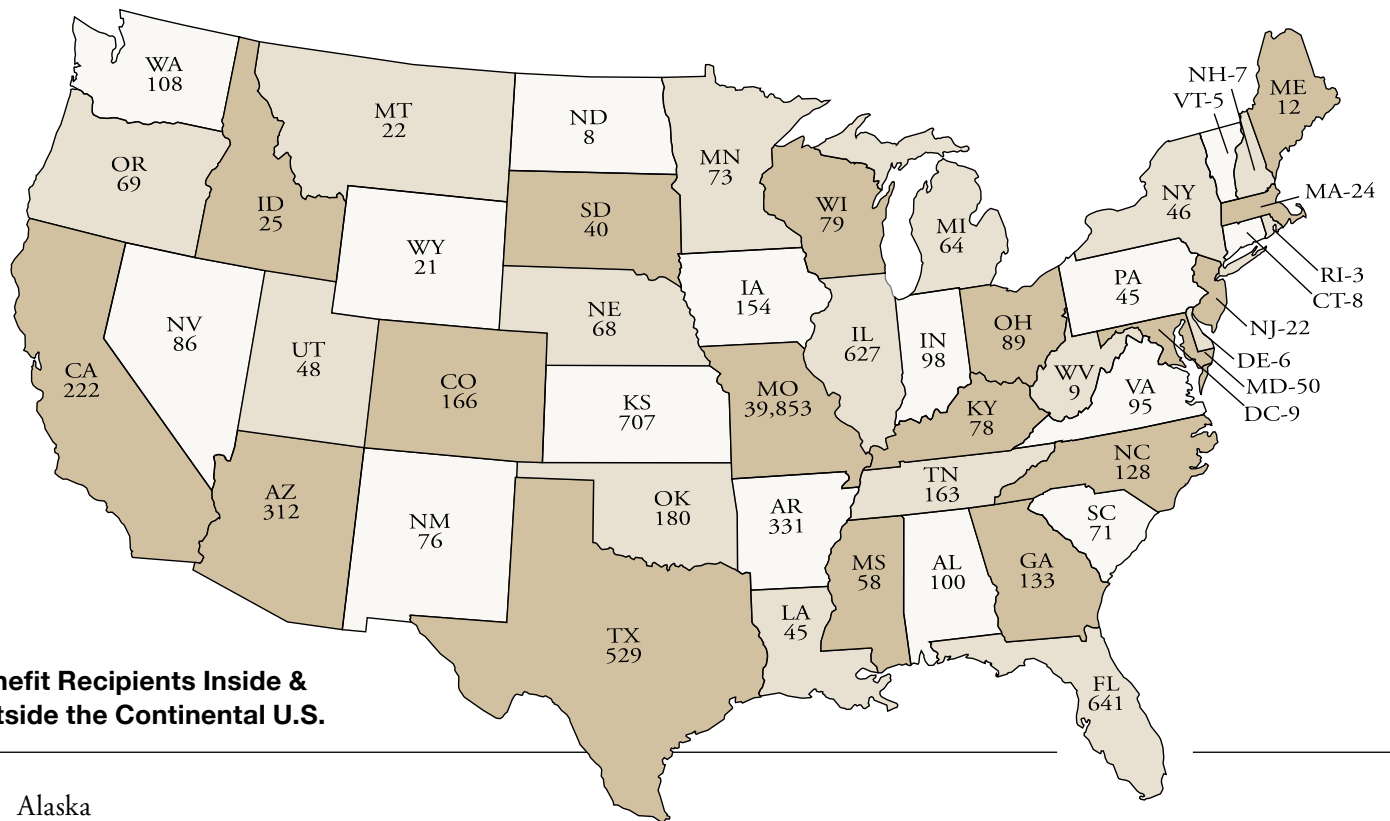
June 30, 2016	MSEP*	Judicial Plan
<b>Active Members</b>		
Average age	45.5	56.7
Average years of service	11.2	12.0
Average annual salary	\$38,847	\$140,738
<b>Retired Members</b>		
Average age	69.9	75.8
Average annual benefit	\$15,187	\$61,463
<b>Total Membership</b>		
Active	49,464	408
Terminated-vested	19,512	26
Retired	44,828	540

\* Includes members in both the MSEP and the MSEP 2000.

## Members Retired During Fiscal Year Ended June 30, 2016

Years Credited Service by Category	Average Monthly Benefit	Average Final Average Salary	Number of Retirees
<5	\$151	\$3,284	6
5-10	307	2,623	611
11-15	506	2,600	502
16-20	819	3,020	430
21-25	1,300	3,445	505
26-30	1,838	3,968	423
31+	2,360	4,204	215
<b>All Members*</b>	<b>1,016</b>	<b>3,175</b>	<b>2,692</b>

\* Includes members in both the MSEP and the MSEP 2000, but does not include members in the Judicial Plan.



### Benefit Recipients Inside & Outside the Continental U.S.

17 Alaska	1 Czech Republic	2 Italy	1 Sweden
8 Hawaii	1 Ecuador	1 Mexico	1 Thailand
2 Army Post Office	1 Germany	1 Marshall Islands	1 The Netherlands
1 Argentina	1 Guam	1 P. R. China	1 United Arab Emirates
3 Australia	1 India	1 Philippines	3 United Kingdom
14 Canada	2 Ireland	1 Sri Lanka	3 Virgin Islands
1 Colombia	2 Israel		
1 Costa Rica			
1 Croatia			

"I don't remember the exact date, but I began participating in the deferred compensation program many years ago. I believe I started with a payroll deduction of \$25 a month to match the state contribution at that time. As years passed, I have increased my monthly contribution, and in hindsight, actually wish that I would have increased my contribution a bit more than I did. My advice to other state employees when it comes to retirement planning and security is to start young and start small if you need to. Make a plan to increase your contribution in intervals and increments that you won't notice. Pay attention to what the retirement benefits are when you first become employed. Thirty years goes by in the blink of an eye."

— April

Higginsville Habilitation Center (DMH)





"Initially, when deciding how much to contribute to deferred comp, I simply invested the minimum required to get the allocated employer match. Thereafter, my contributions varied. Sometimes I redirected COLAs and promotional salary increases into deferred comp. Other times my contributions were based on money available after paying off a debt. While there were times when I suspended or reduced deferrals, my overall focus was on increasing and maintaining my contributions.

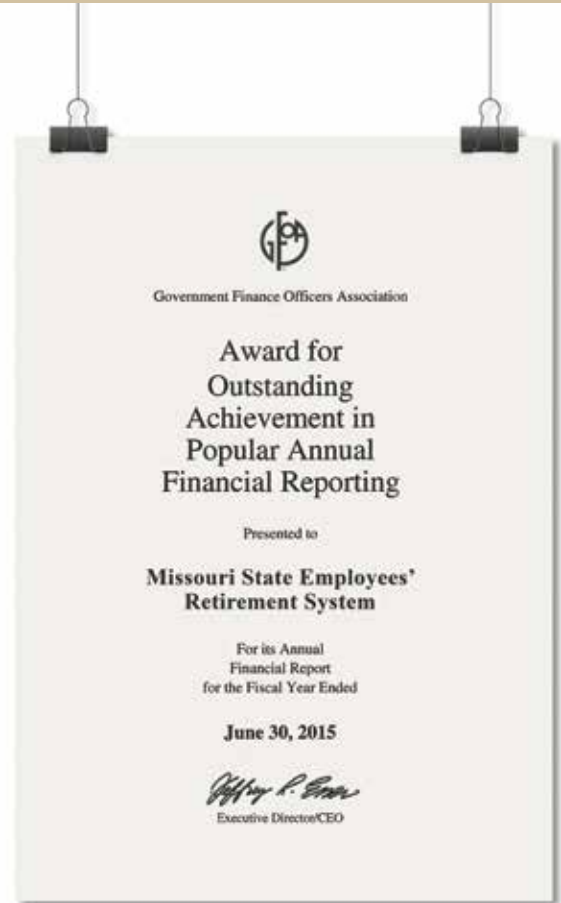
Without saving for retirement I couldn't have retired early. In fact, I would still be working. Now retired for almost 5½ years, I love living life as a retiree! The freedom of a well-planned retirement life is hard to describe, it's sort of like fine chocolate — once you've had a taste of it, you want more and won't want to give it up!"

— *Jacque*  
MOSERS' Retiree

## Professional Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented an Award for Outstanding Achievement in Popular Annual Financial Reporting to MOSERS for its summary annual report for the fiscal year ended June 30, 2015.

This prestigious national award recognizes popular reports for creativity, presentation, understandability, and reader appeal and is valid for a period of one year. We believe the current summary annual report continues to meet these program standards and we are submitting it to the GFOA for evaluation.



### Missouri State Employees' Retirement System

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